

CIP OVERVIEW

The City of Redmond views its six-year capital investment program as a long-range plan for addressing capital needs. The purposes and goals of the CIP are to:

- Provide capital facilities and infrastructure that are needed by the community for civic purposes and support the vision of Redmond's future as articulated in the Comprehensive Plan.
- Support the provision of City services consistent with the expectations of the community, as expressed in the City's declared level of service standards.
- Preserve levels of service as growth and development add new demands on City government.
- Provide facilities that meet special needs of the community.
- Rehabilitate and/or replace the City's facilities and infrastructure to extend useful life and assure continued efficiency.

Redmond's CIP is divided into two categories:

- General capital investment projects.
- Utility capital investment projects.

Within the General CIP, there are six functional areas that receive a dedicated portion of the revenue generated by the 5% General Fund transfer and Real Estate Excise Tax. The functional areas and their percentage allocations are listed below:

45%	Transportation (new or rehabilitated streets, sidewalks, intersections, bridges, etc.)
20%	Parks (acquisition and development of parks, trails, and open space)
15%	Fire (acquisition/construction costs for fire stations, apparatus, and technology tools)
10%	Police (Police building improvement/replacement costs and technology tools)
5%	General Government (citywide projects serving multiple purposes)
5%	Council Contingency (special projects identified by the Council)

CIP oversight responsibilities are provided by a cross-departmental steering committee, which discusses policy issues and coordinates activities pertinent to executing the City's capital investment projects, as well as providing recommendations to the Mayor and Council. Following is an overview of each CIP category.

GENERAL CAPITAL INVESTMENT PROGRAM

Revenue Highlights

Total projected revenues for the 2005-2010 General CIP equal \$69 million excluding beginning fund balances, and are approximately \$24 million lower than the 2003-2008 CIP largely due to one-time adjustments. These adjustments include:

- Elimination of one-time Business Tax allocations to projects. New funding will be added to the CIP pending Council approval of the allocation of the business tax surcharge. The surcharge, which was scheduled to sunset at the end of 2004, was extended through 2006 and is expected to generate a total of \$7 million over the biennium.
- Reduction of one-time park loan proceeds for Perrigo and Grasslawn Parks.

- Deletion of projected Motor Vehicle Excise Tax revenue due to I-776 legislation which repealed the \$15 vehicle registration fee.
- Reductions in projected revenue for impact fees and interest earnings.

The following provides a summary of the changes in the CIP's major revenue sources:

- **General Fund** transfers into the CIP are projected to be \$17.1 million or \$100,000 under the General Fund estimates for the 2003-2008 CIP due to lower general operating revenues.
- **Real Estate Excise Tax** is projected to increase from a previous annual base of \$2.1 million to \$2.7 million per year. The continued increase in sales of commercial and housing properties has contributed to the growth of this tax.
- The **Business Tax** will continue at the current rate of \$55 per FTE and is scheduled to sunset at the end of 2006. Between 1997 and 2004 the City has collected \$25.7 million. The projected revenue from the Business Tax has not been programmed into the 2005-2010 CIP. The funds from this tax will be allocated once the Business Tax/Transportation Improvement Committee has made recommendations to Council and Council has approved them.
- **Impact fees** are projected to decline by approximately \$3.9 million as compared to the 2003-2008 CIP due to a decline in commercial development. The Transportation CIP will bear the majority (85%) of this decline as Transportation impact fees are more closely tied to commercial development. Parks and Fire impact fees which are more reliant on residential development will only see a slight decrease in their impact fees.
- **Vehicle Registration Fees** have been eliminated from the CIP due to the passage of Initiative 776 which repealed the \$15 local option vehicle license fee. The overall estimated loss to the Transportation CIP is over a six-year period \$2.4 million.

In addition to the revenue described above, these functional areas also receive other funding from the One-Half Cent Gas Tax, sales tax on construction, private contributions, and grants.

Program Highlights

City Campus Project

One of the most significant projects occurring in 2005-2006 is construction of the new City Hall and parking garage. In February 2001, Council approved a conceptual funding plan that included a maximum guaranteed price for the building and parking garage of \$36.1 million under a "lease/lease-back" agreement with the National Development Council (NDC). Total funding required over the life of the lease equals \$72.6 million and will come from a variety of sources as shown below.

<u>Funding Sources</u>	<u>Amount (millions)</u>
Existing Cash (General Govt. CIP)	\$16.0
General Fund	11.5
Council CIP Contingency	9.2
Sales Tax on Construction	29.7
Utilities	6.2
Net Lease Obligation*	\$72.6

* Net lease obligation includes debt and maintenance and operations of the new building, less savings as a result of consolidating staff into one building.

The first lease payment (\$3.2 million) is scheduled to occur in 2006 when the City plans to occupy the building. The lease payments will come from the General Fund (\$972,930), existing cash in the General Government CIP (\$1.4 million), Council CIP Contingency (\$350,000), Solid Waste/Recycling (\$30,097), Water/Wastewater (\$207,650), Stormwater (\$186,920), and UPD Fund (\$21,630).

Fire Station 17

The construction of Fire Station 17 at the NE Education Hill site has been rescheduled to 2007 due to the lack of General Fund resources to support the additional \$1.5 million annually of ongoing funding needed to staff and maintain the new station. The Fire Department has increased the funding for the project by approximately \$270,000 to mitigate the impact of inflation on the construction and apparatus costs.

Transportation Master Plan (TMP)

With its inception in 2001, the Transportation Master Plan continues to be a high priority in the Transportation CIP. The Council, City staff and the community continue to work to create a concept and implementation plan to achieve Redmond's future transportation vision. The current schedule calls for the draft TMP to be complete by the fall of 2004 with Council review beginning in January 2005.

Citywide Records Management System

A key difference between the current City Hall and the new City Hall is the reduction in the amount of storage space that will be available to staff both in their individual offices and in common storage areas. As a result, the City must establish a centralized methodology for electronically storing and managing its written documents. This proposal addresses storage needs by funding a citywide records management system. The total project cost is approximately \$1.3 million and is shared as follows: General Fund (\$500,000), General Government CIP (\$589,831), Water/Wastewater Utility (\$97,500), Stormwater Management Utility (\$67,500), and Solid Waste/Recycling (\$4,709).

Ongoing Maintenance and Operation Costs

As the City works to build CIP projects, it is important to understand how progress on the CIP will impact the City's ongoing expenditures for maintenance and operations. Once constructed, the cost of the project will shift from the Capital Investment Program to the General Fund to provide for ongoing maintenance of the new assets. In the 2005-2010 CIP, functional area managers have identified \$6.9 million in maintenance and operations costs associated with projects primarily due to the unfunded costs associated with fully staffing Station 17. Given the City's limited resources and the costs associated with fully staffing this station, other alternatives of staffing models may need to be explored. The new station will have a significant impact on the General Fund in future years.

The table below summarizes the maintenance and operations costs associated with projects being built in the 2005-2010 CIP. Additionally, each new CIP project description reflects these costs in more detail.

Maintenance and Operations Costs 2005-2010 General CIP

Project	2005 Budget	2006 Budget	2007 Budget	2008 Budget	2009 Budget	2010 Budget	Total
Parks							
Bear Creek Trail at Avondale			\$1,000	\$1,000	\$1,000	\$1,000	\$4,000
Hartman Park Renovation (Soccer Field Lighting)			20,000	20,000	20,000	20,000	80,000
Idlywood Beach Park Picnic Shelters/Volleyball Court			10,000	10,000	10,000	10,000	40,000
Park Renovation		530	560	590	620	650	2,950
Trails Renovation Fund		500	500	500	500	500	2,500
Dudley Carter Site		5,000	5,000	5,000	5,000	5,000	25,000
Transportation							
E. Lake Sam Prkway/ 187th Ave NE Intersection Improvements					3,200	3,200	6,400
MOC Building Acquisition			40,000	40,000	40,000	40,000	160,000
Fire							
Fire Station 17			1,500,000	1,500,000	1,500,000	1,500,000	6,000,000
Police							
EOC Enhancements		2,300	2,300	2,300	2,300	2,300	11,500
General Government							
Citywide Records Management Program	0	0	150,000	150,000	150,000	150,000	600,000
Total	\$0	\$8,330	\$1,729,360	\$1,729,390	\$1,732,620	\$1,732,650	\$6,932,350

UTILITY CAPITAL INVESTMENT PROGRAM

Water/Wastewater Capital Investment Program

The Water/Wastewater CIP is funded through depreciation transfers from the Water/Wastewater utility, developer contributions, connection charges and the ending fund balance from prior budget periods. The 2004 rate study found that the current funding strategy being employed was adequate to meet the Utility CIP needs. Water/Wastewater CIP projects are generally used to build and develop new water and sewer system capacity, or to improve, repair, and replace current infrastructure.

Significant projects included in the 2005-2010 CIP plan include rehabilitation of wells 1, 2, 3 and 5, water system security improvements, Tolt #2 Meter at 172nd Avenue, improvements to the Southeast Redmond Transmission Main, phase 2 of the South Overlake Trunk Improvements and also, phase 2 of the sewer rehabilitation program.

Urban Planned Development (UPD) Capital Investment Program

The UPD CIP was created in 2000 to account for construction activities related specifically to the Redmond Ridge Urban Planned Development. This fund is supported through depreciation transfers from the UPD Operations and Maintenance Fund and utility connection fees. Per City Council policy, construction and operation activities in support of the UPD will be accounted for separate and apart from the City's Water/Wastewater construction and operations activities. The only project included in the 2005-2010 CIP is the Water System Security Improvements project slated for the Novelty Hill service area.

Stormwater Management Capital Investment Program

The Stormwater CIP is funded through depreciation transfers from the Stormwater utility, a Capital Facilities Charge (from new developments), and the beginning fund balances from prior budget periods. Stormwater CIP funding levels are determined through rate studies. The last rate study for the Stormwater Utility was completed in December 1999. This rate study established a base residential rate of \$8.50 per month and a CIP surcharge of \$3.00 per month, for a total rate of \$11.50. The intent of the rate was to sustain the utility and its CIP program for a five-year period ending December 2004. Additionally, the surcharge was scheduled to sunset at the end of this five-year period.

In 2004, a new rate study was undertaken to evaluate the financial and capital needs of the utility. Based on the results of this rate study, the City Council allowed the \$3.00 per month CIP surcharge to sunset as scheduled and established a new base residential rate of \$11.50 per month for the 2005-2006 biennium. Besides providing for inflation since the rate was last changed in 1999, the revised rate also sustains current service levels, provides revenues for an illicit discharge study and provides for the initiation of a capital investment program enabling the Utility to be partially compliant with environmental regulations. The capital portion of the new rate is anticipated to generate \$3.3M and, along with the depreciation transfer of \$1.1M, will provide an additional \$4.4M over the biennium for capital programs. Total biennial spending for capital programs is anticipated at \$11.4M excluding ending fund balance of \$700,000.

Stormwater construction projects are directed at managing the City's Stormwater runoff, assuring the overall water quality of Redmond's streams and groundwater, and protecting and enhancing water-related natural habitat. Significant projects included in the 2005-2006 CIP for Stormwater include the Rose Hill area detention pond, Hartman Park detention and water quality facility, Peters Creek culvert replacement at NE 87th Street, Idylwood Stream upper reach, and the NE 116th Street culvert replacement at 166th Avenue NE.